



STATE OF DELAWARE

PUBLIC SERVICE COMMISSION

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June 14, 2017

MEMORANDUM

TO: Members of the Commission

FROM: Joseph DeLosa, Public Utilities Analyst *JDS*

SUBJECT: IN THE MATTER OF THE APPLICATION OF DELMARVA POWER & LIGHT COMPANY TO REVISE A UTILITY FACILITY RELOCATION CHARGE ("UFRC") RATE TO RECOVER COSTS ASSOCIATED WITH THE RELOCATION OF GAS UTILITY FACILITIES PURSUANT TO 26 DEL. C. §315 (FILED MAY 31, 2017, AMENDED JUNE 14, 2017) - PSC DOCKET NO. 17-0402

Background:

On July 9, 2001, the General Assembly and the Governor enacted 26 *Del. C.* § 315, which permits natural gas utilities to impose a rate for a "Utility Facility Relocation Charge" ("UFRC Rate") during the period between base rate case proceedings. This UFRC Rate allows the utility to promptly begin to recover depreciation expenses and a return on capital invested in Eligible Utility Facility Relocations¹ recently put into service. The UFRC Rate is intended to allow Delmarva Power & Light Company (the "Company") to recover a portion of the cost of relocation of existing facilities necessitated by Department of Transportation or other government agency projects until such time as the Company can recover its investment in a base rate case.

Eligible Utility Facility Relocations ("Eligible Relocation") "means new, used and useful utility plant or facilities of an electric or natural gas utility that:

¹ See 26 *Del. C.* §315 (a) (1)

1. Do not include that portion of any plant or facilities used to increase capacity of or connect to the transmission or distribution system to serve new or additional load;
2. Are in service; and
3. Were not included in the utility's rate base in its most recent general rate case; and which
4. Relocate, as required or necessitated by Department of Transportation or other government agency projects, without reimbursement existing facilities, including but not limited to, mains, lines, and services, whether underground or aerial."²

Commission Order No. 8138, dated April 17, 2012, approved the final UFRC Rate regulations.³ This docket concluded with Order No. 8465, dated October 22, 2013, which in part approved tariff revisions that added a billing line item to recover these Eligible Relocation costs in a UFRC Rate known as "Rider UFRC."⁴ This UFRC rate can be adjusted semi-annually for eligible plant that was placed in service during the 6-month period ending two-months prior to the effective date of the requested UFRC rate.

Application:

The Company filed this application on May 31, 2017 and amended the same on June 14, 2017, to revise the UFRC Rate to include recovery of a portion of capital improvements costs associated with gas facility relocations/retirements for projects necessitated by the Department of Transportation or other government agencies that was put into service between November 1, 2016 and April 30, 2017, in addition to those costs already included in the existing UFRC Rate.⁵ In this instant docket, as amended, the Company has applied for a UFRC Rate increase based on net utility plant additions of \$2,702,647 and a semi-annual depreciation expense of \$10,780. Including revenues allowed to go into effect by way of previous UFRC Rates, the total net utility plant additions used for calculation of the UFRC Rate in this docket total \$4,400,540, and the net semi-annual depreciation expense totals \$18,313.⁶ The total UFRC Rate calculated in the instant docket also reflects an over-recovery of \$190,424 relative to the Company's revenue requirement for collections which occurred during calendar year 2016. The Company's collected revenues for calendar year 2016 are the subject of an ongoing audit, but Staff views their inclusion as a timely refund to customers subject to the results of Staff's audit. After the deduction of the Company's over-collection, the revenue requirement for the UFRC Rate for the collection period July 1 through December 31, 2017 is \$108,242.⁷ The requested UFRC Rate is 0.33%, for which the Company requests an effective date beginning on July 1, 2017.

² 26 Del. C. §315 (a)

³ 26 Del. Admin. C. §1009

⁴ DP&L Gas Tariff Leaf No. 81-83.

⁵ Pursuant to 26 Del. C. §§ 314(b)(5),(7) and 315, the UFRC Rate in the instant docket also includes utility plant additions and depreciation expenses allowed to go into effect by the Commission in Order No. 8912 (July 12, 2016) and Order No. 9010 (December 20, 2016).

⁶ See Application, Schedule 1.

⁷ See Application, Amendment, Excel Sheet titled "Forms 1-3."

To The Chair and Members of the Commission
PSC Docket No. 17-0402

Recommendation:

Staff recommends that the Commission allow the requested UFRC Rate of 0.33% to go into effect on July 1, 2017, subject to refund, reconciliation, and audit.